

Message Text

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C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 23508

FOR EUR/RPE (LEVINE) AND IO/EX (CUMMINS)

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SUBJECT: 1975 PROGRAM OF WORK AND BUDGET, C(74)175

REF: (A) OECD PARIS 22293; (B) OECD PARIS 23410

1. BEGIN SUMMARY. AFTER EXAMINATION 1975 OECD BUDGET MISSION BELIEVES ONLY MINIMAL CUTS MAY BE MADE WITHOUT ADVERSELY AFFECTING PROGRAMS. WITH CAREFUL PARING, INCREASE IN CONTRIBUTIONS PART I ACTIVITIES MAY BE REDUCED FROM PROPOSED 21.6 PERCENT TO 20 PERCENT. HOWEVER, RESOURCES FOR ESTABLISHMENT PROPOSED NEW ENERGY AGENCY AS PART II ACTIVITY, REF B, MAY RESULT IN FURTHER INCREASE OF 20 MILLION FRANCS IN ADDITION TO VERY SUBSTANTIAL SHIFT OF RESOURCES ALREADY UNDER WAY FROM OTHER PARTS OF PROGRAM TO ENERGY. INCLUDING ENERGY AGENCY, TOTAL 1975 CONTRIBUTIONS FOR PART I AND II ACTIVITIES LIKELY BE ABOUT 206 MILLION FRANCS OF WHICH US SHARE BE 51.5 MILLION FRANCS. END SUMMARY

2. SIZEABLE INCREASE IN CONTRIBUTION LEVEL TO OECD FOR CALENDAR YEAR 1975 ATTRIBUTABLE TO FULL-YEAR EFFECTS OF INFLATION IN 1974 AND ANTICIPATED INFLATION RATE IN 1975.

3. OECD FORECAST FOR SALARY INCREASES IN 1974 BUDGET
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WAS 7.8 PERCENT. DURING 1974, COUNCIL HAS APPROVED

OR HAS PENDING COST OF LIVING INCREASES OF 8.8 PERCENT AND IS LIKELY HAVE ANOTHER COST OF LIVING INCREASE OF FOUR PERCENT BEFORE THE END OF 1974. THE FULL-YEAR COSTS OF THESE ADJUSTMENTS ARE INCLUDED IN THE 1975 BUDGET ESTIMATE AS MANDATORY FULL-YEAR CHARGES FOR COST OF LIVING INCREASES GRANTED IN 1974. OECD'S CONSERVATIVE ESTIMATE IS THAT INFLATION RATE IN FRANCE WILL BE AT ABOUT A 12 PERCENT ANNUAL RATE IN 1975. PROPOSED BUDGET INCREASE OF 12 MILLION FRANCS (9.3 PERCENT) REFLECTS 1975 COL COSTS FOR SALARY ADJUSTMENTS BASED ON A 12 PERCENT ANNUAL INFLATION RATE.

4. BUDGET ALSO INCLUDES PROVISION FOR FULL-YEAR COST OF 1974 GENERAL REVIEW OF SALARIES. PROPOSALS HAVE NOT BEEN MADE TO CCG ON THE GENERAL REVIEW BUT A TWO PERCENT ADVANCE ON A GENERAL REVIEW WAS GRANTED WITH EFFECT FROM JANUARY 1, 1974. AT PRESENT TIME 4.7 MILLION FRANCS REMAIN BLOCKED IN 1974 BUDGET FOR THIS PURPOSE AND THERE IS AN ENTRY FOR THE FULL-YEAR COSTS OF THE REVIEW (9.4 MILLION FRANCS) IN THE 1975 BUDGET.

5. BULK OF 1.3 PERCENT INCREASE IN REAL TERMS IN PRESENT BUDGET IS ATTRIBUTABLE TO DIRECTORATE FOR ENERGY AND FOR GENERAL ADMINISTRATION. ENERGY DIVISION IN 1974 BUDGET CONTAINED 18 POSTS WHILE ENERGY DIRECTORATE PROPOSALS FOR 1975 INCLUDE THESE POSTS PLUS 15 POSTS TRANSFERRED FROM OTHER PART I PROGRAMS. ORGANIZATION ALSO REQUESTING NET CREATION OF FOUR POSTS FOR 1975 FOR WORK IN ENERGY FIELD. SECRETARIAT HAS THUS MADE MAJOR EFFORT TO REPROGRAM RESOURCES TO ENERGY ACTIVITIES. DUE TRANSFERS ALREADY MADE BY SECRETARIAT TO ENERGY AREA, WE DOUBT IF BUDGET COMMITTEE WILL BE ABLE FIND ANY OTHER POSTS THAT COULD BE ABOLISHED AS OFFSET FOR THE NEW POSTS. INDIRECT COSTS OF SECRETARIAT EFFORTS TO SHIFT POSTS WILL BE INCREASE IN LOSS OF JOB INDEMNITIES FOR THOSE PEOPLE BEING DISMISSED WHEN POSTS SHIFTED TO NEW ENERGY DIRECTORATE. MISSION BELIEVES RESOURCES PROPOSED IN BUDGET ARE NEEDED FOR PRESENT ENERGY

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ACTIVITIES AND THAT ADDITIONAL 20 MILLION FRANC COST FOR ENERGY AGENCY (TO BE ESTABLISHED IN NOVEMBER) IS REASONABLE ESTIMATE.

6. ONLY OTHER LARGE INCREASE IN THE 1975 BUDGET IS 4.2 MILLION FRANC INCREASE IN COST OF NON-PERSONNEL CURRENT OPERATING EXPENDITURES COMPRISED OF FULL-YEAR COST OF UNDER-ESTIMATES IN 1974 BUDGET AND

ANTICIPATED INCREASES IN 1975.

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7. DURING 1974 FUNDING OF DEVELOPMENT CENTER WAS BY MEMBER CONTRIBUTIONS WITH POPULATION ACTIVITIES FUNDED BY VOLUNTARY CONTRIBUTIONS. DUE TO STRONG PRESSURE US AND CERTAIN OTHER MEMBERS, POPULATION ACTIVITIES NOW INTEGRATED INTO REGULAR DEVELOPMENT CENTER ACTIVITIES WITH RESULTANT RELEASE TWO POSITIONS. REQUEST CLARIFICATION WHETHER FULL COST NOW BE MET ON REGULAR CONTRIBUTION BASIS OR WHETHER PORTION ATTRIBUTABLE TO POPULATION BE FINANCED BY SEPARATE GRANT FROM AID.

8. MISSION EXPECTS TO EFFECT SOME REDUCTION IN BUDGET LEVEL AS A RESULT OF COUNCIL DISCUSSIONS AND SUBSEQUENT BUDGET COMMITTEE ANALYSIS. HOWEVER, DO NOT FORESEE LIKELIHOOD REDUCING CONTRIBUTION LEVEL TO OECD BELOW 206 MILLION FRANC LEVEL IF ENERGY AGENCY ESTABLISHED. THESE ESTIMATES DO NOT INCLUDE POSSIBLE RECONSTITUTION OF OECD NUCLEAR ENERGY AGENCY INTO AN ENERGY RESEARCH AND DEVELOPMENT AGENCY WITH FULL US MEMBERSHIP.

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